



General Assembly

January Session, 2019

***Raised Bill No. 906***

LCO No. 4295



Referred to Committee on INSURANCE AND REAL ESTATE

Introduced by:  
(INS)

***AN ACT CONCERNING THE INSURANCE DEPARTMENT'S  
RECOMMENDED CHANGES TO THE INSURANCE STATUTES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-8 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2019*):

3 (a) The commissioner shall see that all laws respecting insurance  
4 companies and health care centers are faithfully executed and shall  
5 administer and enforce the provisions of this title. The commissioner  
6 shall have all powers specifically granted, and all further powers that  
7 are reasonable and necessary to enable the commissioner to protect the  
8 public interest in accordance with the duties imposed by this title. The  
9 commissioner shall pay to the Treasurer all the fees that the  
10 commissioner receives. The commissioner may administer oaths in the  
11 discharge of the commissioner's duties.

12 (b) The commissioner shall recommend to the General Assembly  
13 changes that, in the commissioner's opinion, should be made in the  
14 laws relating to insurance.

15 (c) In addition to the specific regulations that the commissioner is  
16 required to adopt, the commissioner may adopt such further  
17 regulations, in accordance with the provisions of chapter 54, as are  
18 reasonable and necessary to implement the provisions of this title.

19 (d) The commissioner shall develop a program of periodic review to  
20 ensure compliance by the Insurance Department with the minimum  
21 standards established by the National Association of Insurance  
22 Commissioners for effective financial surveillance and regulation of  
23 insurance companies operating in this state. The commissioner shall  
24 adopt regulations, in accordance with the provisions of chapter 54,  
25 pertaining to the financial surveillance and solvency regulation of  
26 insurance companies and health care centers as are reasonable and  
27 necessary to obtain or maintain the accreditation of the Insurance  
28 Department by the National Association of Insurance Commissioners.  
29 The commissioner shall maintain as confidential any confidential  
30 documents or information received from the National Association of  
31 Insurance Commissioners, or the International Association of  
32 Insurance Supervisors, or any documents or information received from  
33 state or federal insurance, banking or securities regulators or similar  
34 regulators in a foreign country that are confidential in such  
35 jurisdictions. The commissioner may share any information, including  
36 confidential information, with the National Association of Insurance  
37 Commissioners, the International Association of Insurance  
38 Supervisors, or state or federal insurance, banking or securities  
39 regulators or similar regulators in a foreign country, provided the  
40 commissioner determines that such entities agree to maintain the same  
41 level of confidentiality in their jurisdictions as is available in this state.  
42 At the expense of a domestic, alien or foreign insurer, the  
43 commissioner may engage the services of attorneys, actuaries,  
44 accountants and other experts not otherwise part of the commissioner's  
45 staff as may be necessary to assist the commissioner in the financial  
46 analysis of the insurer, the review of the insurer's license applications,  
47 and the review of transactions within a holding company system  
48 involving an insurer domiciled in this state. No duties of a person

49 employed by the Insurance Department on November 1, 2002, shall be  
50 performed by such attorney, actuary, accountant or expert.

51 (e) The [Insurance Commissioner] commissioner shall establish a  
52 program to reduce costs and increase efficiency through the use of  
53 electronic methods to transmit documents, including policy form and  
54 rate filings, to and from insurers and the Insurance Department. The  
55 commissioner may sit as a member of the board of a consortium  
56 organized by or in association with the National Association of  
57 Insurance Commissioners for the purpose of coordinating a system for  
58 electronic rate and form filing among state insurance departments and  
59 insurers.

60 (f) The commissioner shall maintain as confidential information  
61 obtained, collected or prepared in connection with examinations,  
62 inspections or investigations, and complaints from the public received  
63 by the Insurance Department, if such records are protected from  
64 disclosure under federal law or state statute or, in the opinion of the  
65 commissioner, such records would disclose, or would reasonably lead  
66 to the disclosure of: (1) Investigative information the disclosure of  
67 which would be prejudicial to such investigation, until such time as  
68 the investigation is concluded; or (2) personal, financial or medical  
69 information concerning a person who has filed a complaint or inquiry  
70 with the Insurance Department, without the written consent of the  
71 person or persons to whom the information pertains.

72 (g) The commissioner may, in the commissioner's discretion, engage  
73 the services of such third-party actuaries, professionals and specialists  
74 that the commissioner deems necessary to assist the commissioner in  
75 reviewing any rate, form or similar filing submitted to the  
76 commissioner pursuant to this title. The cost of such services shall be  
77 borne by the person who submitted such rate, form or similar filing to  
78 the commissioner.

79 Sec. 2. Section 38a-37 of the general statutes is repealed and the  
80 following is substituted in lieu thereof (*Effective from passage*):

81 Pursuant to terms and conditions of this compact, the state of  
82 Connecticut seeks to join with other states and establish the Interstate  
83 Insurance Product Regulation Compact, and thus become a member of  
84 the Interstate Insurance Product Regulation Commission. The  
85 Insurance Commissioner is hereby designated to serve as the  
86 representative of this state to the commission.

87 ARTICLE I

88 PURPOSES

89 The purposes of this compact are, through means of joint and  
90 cooperative action among the compacting states:

- 91 1. To promote and protect the interest of consumers of individual  
92 and group annuity, life insurance, disability income and long-term  
93 care insurance products;
- 94 2. To develop uniform standards for insurance products covered  
95 under the compact;
- 96 3. To establish a central clearinghouse to receive and provide  
97 prompt review of insurance products covered under the compact and,  
98 in certain cases, advertisements related thereto, submitted by insurers  
99 authorized to do business in one or more compacting states;
- 100 4. To give appropriate regulatory approval to those product filings  
101 and advertisements satisfying the applicable uniform standard;
- 102 5. To improve coordination of regulatory resources and expertise  
103 between state insurance departments regarding the setting of uniform  
104 standards and review of insurance products covered under the  
105 compact;
- 106 6. To create the Interstate Insurance Product Regulation  
107 Commission; and
- 108 7. To perform these and such other related functions as may be

109 consistent with the state regulation of the business of insurance.

110 ARTICLE II

111 DEFINITIONS

112 For purposes of this compact:

113 1. "Advertisement" means any material designed to create public  
114 interest in a product, or induce the public to purchase, increase,  
115 modify, reinstate, borrow on, surrender, replace or retain a policy, as  
116 more specifically defined in the rules and operating procedures of the  
117 commission.

118 2. "Bylaws" mean those bylaws established by the commission for its  
119 governance, or for directing or controlling the commission's actions or  
120 conduct.

121 3. "Compacting state" means any state which has enacted this  
122 compact legislation and which has not withdrawn pursuant to Article  
123 XIV, section 1 of this compact, or been terminated pursuant to Article  
124 XIV, section 2 of this compact.

125 4. "Commission" means the Interstate Insurance Product Regulation  
126 Commission established by this compact.

127 5. "Commissioner" means the chief insurance regulatory official of a  
128 state including, but not limited to, commissioner, superintendent,  
129 director or administrator.

130 6. "Domiciliary state" means the state in which an insurer is  
131 incorporated or organized; or, in the case of an alien insurer, its state of  
132 entry.

133 7. "Insurer" means any entity licensed by a state to issue contracts of  
134 insurance for any of the lines of insurance covered by this compact.

135 8. "Member" means the person chosen by a compacting state as its  
136 representative to the commission, or the member's designee.



ESTABLISHMENT OF THE COMMISSION AND VENUE

1. The compacting states hereby create and establish a joint public agency known as the Interstate Insurance Product Regulation Commission. Pursuant to Article IV of this compact, the commission will have the power to develop uniform standards for product lines, receive and provide prompt review of products filed therewith, and give approval to those product filings satisfying applicable uniform standards; provided, it is not intended for the commission to be the exclusive entity for receipt and review of insurance product filings. Nothing herein shall prohibit any insurer from filing its product in any state wherein the insurer is licensed to conduct the business of insurance; and any such filing shall be subject to the laws of the state where filed.

2. The Interstate Insurance Product Regulation Commission is a body corporate and politic, and an instrumentality of the compacting states.

3. The commission is solely responsible for its liabilities except as otherwise specifically provided in this compact.

4. Venue is proper and judicial proceedings by or against the commission shall be brought solely and exclusively in a court of competent jurisdiction where the principal office of the commission is located.

ARTICLE IV

POWERS OF THE COMMISSION

The commission shall have the following powers:

1. To promulgate rules, pursuant to Article VII of this compact, which shall have the force and effect of law and shall be binding in the compacting states to the extent and in the manner provided in this compact;

196       2. To exercise its rulemaking authority and establish reasonable  
197 uniform standards for products covered under the compact, and  
198 advertisement related thereto, which shall have the force and effect of  
199 law and shall be binding in the compacting states, but only for those  
200 products filed with the commission, provided, that a compacting state  
201 shall have the right to opt out of such uniform standard pursuant to  
202 Article VII of this compact, to the extent and in the manner provided in  
203 this compact, and, provided further, that any uniform standard  
204 established by the commission for long-term care insurance products  
205 may provide the same or greater protections for consumers as, but  
206 shall not provide less than, those protections set forth in the National  
207 Association of Insurance Commissioners' Long-Term Care Insurance  
208 Model Act and Long-Term Care Insurance Model Regulation,  
209 respectively, adopted as of 2001. The commission shall consider  
210 whether any subsequent amendments to the National Association of  
211 Insurance Commissioners' Long-Term Care Insurance Model Act or  
212 Long-Term Care Insurance Model Regulation adopted by the National  
213 Association of Insurance Commissioners require amending of the  
214 uniform standards established by the commission for long-term care  
215 insurance products;

216       3. To receive and review in an expeditious manner products filed  
217 with the commission, and rate filings for disability income and long-  
218 term care insurance products, and give approval of those products and  
219 rate filings that satisfy the applicable uniform standard, where such  
220 approval shall have the force and effect of law and be binding on the  
221 compacting states to the extent and in the manner provided in the  
222 compact;

223       4. To receive and review in an expeditious manner advertisement  
224 relating to long-term care insurance products for which uniform  
225 standards have been adopted by the commission, and give approval to  
226 all advertisement that satisfies the applicable uniform standard. For  
227 any product covered under this compact, other than long-term care  
228 insurance products, the commission shall have the authority to require  
229 an insurer to submit all or any part of its advertisement with respect to



230 that product for review or approval prior to use, if the commission  
231 determines that the nature of the product is such that an advertisement  
232 of the product could have the capacity or tendency to mislead the  
233 public. The actions of the commission as provided in this section shall  
234 have the force and effect of law and shall be binding in the compacting  
235 states to the extent and in the manner provided in the compact;

236 5. To exercise its rulemaking authority and designate products and  
237 advertisement that may be subject to a self-certification process  
238 without the need for prior approval by the commission;

239 6. To promulgate operating procedures, pursuant to Article VII of  
240 this compact, which shall be binding in the compacting states to the  
241 extent and in the manner provided in this compact;

242 7. To bring and prosecute legal proceedings or actions in its name as  
243 the commission; provided, that the standing of any state insurance  
244 department to sue or be sued under applicable law shall not be  
245 affected;

246 8. To issue subpoenas requiring the attendance and testimony of  
247 witnesses and the production of evidence;

248 9. To establish and maintain offices;

249 10. To purchase and maintain insurance and bonds;

250 11. To borrow, accept or contract for services of personnel,  
251 including, but not limited to, employees of a compacting state;

252 12. To hire employees, professionals or specialists, and elect or  
253 appoint officers, and to fix their compensation, define their duties and  
254 give them appropriate authority to carry out the purposes of the  
255 compact, and determine their qualifications; and to establish the  
256 commission's personnel policies and programs relating to, among  
257 other things, conflicts of interest, rates of compensation and  
258 qualifications of personnel;

259 13. To accept any and all appropriate donations and grants of  
260 money, equipment, supplies, materials and services, and to receive,  
261 utilize and dispose of the same; provided that at all times the  
262 commission shall strive to avoid any appearance of impropriety;

263 14. To lease, purchase, accept appropriate gifts or donations of, or  
264 otherwise to own, hold, improve or use, any property, real, personal or  
265 mixed; provided that at all times the commission shall strive to avoid  
266 any appearance of impropriety;

267 15. To sell, convey, mortgage, pledge, lease, exchange, abandon or  
268 otherwise dispose of any property, real, personal or mixed;

269 16. To remit filing fees to compacting states as may be set forth in  
270 the bylaws, rules or operating procedures;

271 17. To enforce compliance by compacting states with rules, uniform  
272 standards, operating procedures and bylaws;

273 18. To provide for dispute resolution among compacting states;

274 19. To advise compacting states on issues relating to insurers  
275 domiciled or doing business in non-compacting jurisdictions,  
276 consistent with the purposes of this compact;

277 20. To provide advice and training to those personnel in state  
278 insurance departments responsible for product review, and to be a  
279 resource for state insurance departments;

280 21. To establish a budget and make expenditures;

281 22. To borrow money;

282 23. To appoint committees, including advisory committees  
283 comprising members, state insurance regulators, state legislators or  
284 their representatives, insurance industry and consumer  
285 representatives, and such other interested persons as may be  
286 designated in the bylaws;



316 (ii) Providing reasonable procedures for appointing and electing  
317 members, as well as holding meetings, of the management committee;

318 (iii) Providing reasonable standards and procedures: (I) For the  
319 establishment and meetings of other committees, and (II) governing  
320 any general or specific delegation of any authority or function of the  
321 commission;

322 (iv) Providing reasonable procedures for calling and conducting  
323 meetings of the commission that consists of a majority of commission  
324 members, ensuring reasonable advance notice of each such meeting  
325 and providing for the right of citizens to attend each such meeting  
326 with enumerated exceptions designed to protect the public's interest,  
327 the privacy of individuals, and insurers' proprietary information,  
328 including trade secrets. The commission may meet in camera only after  
329 a majority of the entire membership votes to close a meeting in toto or  
330 in part. As soon as practicable, the commission must make public (I) a  
331 copy of the vote to close the meeting revealing the vote of each  
332 member with no proxy votes allowed, and (II) votes taken during such  
333 meeting;

334 (v) Establishing the titles, duties and authority and reasonable  
335 procedures for the election of the officers of the commission;

336 (vi) Providing reasonable standards and procedures for the  
337 establishment of the personnel policies and programs of the  
338 commission. Notwithstanding any civil service or other similar laws of  
339 any compacting state, the bylaws shall exclusively govern the  
340 personnel policies and programs of the commission;

341 (vii) Promulgating a code of ethics to address permissible and  
342 prohibited activities of commission members and employees; and

343 (viii) Providing a mechanism for winding up the operations of the  
344 commission and the equitable disposition of any surplus funds that  
345 may exist after the termination of the compact after the payment  
346 and/or reserving of all of its debts and obligations.

347 d. The commission shall publish its bylaws in a convenient form  
348 and file a copy thereof and a copy of any amendment thereto, with the  
349 appropriate agency or officer in each of the compacting states.

350 Section 2. Management Committee, Officers and Personnel

351 a. A management committee comprising no more than fourteen  
352 members shall be established as follows:

353 (i) One member from each of the six compacting states with the  
354 largest premium volume for individual and group annuities, life,  
355 disability income and long-term care insurance products, determined  
356 from the records of the National Association of Insurance  
357 Commissioners for the prior year;

358 (ii) Four members from those compacting states with at least two  
359 per cent of the market based on the premium volume described above,  
360 other than the six compacting states with the largest premium volume,  
361 selected on a rotating basis as provided in the bylaws; and

362 (iii) Four members from those compacting states with less than two  
363 per cent of the market, based on the premium volume described above,  
364 with one selected from each of the four zone regions of the National  
365 Association of Insurance Commissioners as provided in the bylaws.

366 b. The management committee shall have such authority and duties  
367 as may be set forth in the bylaws, including, but not limited to:

368 (i) Managing the affairs of the commission in a manner consistent  
369 with the bylaws and purposes of the commission;

370 (ii) Establishing and overseeing an organizational structure within,  
371 and appropriate procedures for, the commission to provide for the  
372 creation of uniform standards and other rules, receipt and review of  
373 product filings, administrative and technical support functions, review  
374 of decisions regarding the disapproval of a product filing, and the  
375 review of elections made by a compacting state to opt out of a uniform  
376 standard; provided that a uniform standard shall not be submitted to

377 the compacting states for adoption unless approved by two-thirds of  
378 the members of the management committee;

379 (iii) Overseeing the offices of the commission; and

380 (iv) Planning, implementing, and coordinating communications and  
381 activities with other state, federal and local government organizations  
382 in order to advance the goals of the commission.

383 c. The commission shall elect annually officers from the  
384 management committee, with each having such authority and duties,  
385 as may be specified in the bylaws.

386 d. The management committee may, subject to the approval of the  
387 commission, appoint or retain an executive director for such period,  
388 upon such terms and conditions and for such compensation as the  
389 commission may deem appropriate. The executive director shall serve  
390 as secretary to the commission, but shall not be a member of the  
391 commission. The executive director shall hire and supervise such other  
392 staff as may be authorized by the commission.

### 393 Section 3. Legislative and Advisory Committees

394 a. A legislative committee comprising state legislators or their  
395 designees shall be established to monitor the operations of, and make  
396 recommendations to, the commission, including the management  
397 committee; provided that the manner of selection and term of any  
398 legislative committee member shall be as set forth in the bylaws. Prior  
399 to the adoption by the commission of any uniform standard, revision  
400 to the bylaws, annual budget or other significant matter as may be  
401 provided in the bylaws, the management committee shall consult with  
402 and report to the legislative committee.

403 b. The commission shall establish two advisory committees, one of  
404 which shall comprise consumer representatives independent of the  
405 insurance industry, and the other comprising insurance industry  
406 representatives.

407 c. The commission may establish additional advisory committees as  
408 its bylaws may provide for the carrying out of its functions.

409 Section 4. Corporate Records of the Commission

410 The commission shall maintain its corporate books and records in  
411 accordance with the bylaws.

412 Section 5. Qualified Immunity, Defense and Indemnification

413 a. The members, officers, executive director, employees and  
414 representatives of the commission shall be immune from suit and  
415 liability, either personally or in their official capacity, for any claim for  
416 damage to or loss of property or personal injury or other civil liability  
417 caused by or arising out of any actual or alleged act, error or omission  
418 that occurred, or that the person against whom the claim is made had a  
419 reasonable basis for believing occurred within the scope of commission  
420 employment, duties or responsibilities; provided, that nothing in this  
421 paragraph shall be construed to protect any such person from suit  
422 and/or liability for any damage, loss, injury or liability caused by the  
423 intentional or wilful and wanton misconduct of that person.

424 b. The commission shall defend any member, officer, executive  
425 director, employee or representative of the commission in any civil  
426 action seeking to impose liability arising out of any actual or alleged  
427 act, error or omission that occurred within the scope of commission  
428 employment, duties or responsibilities, or that the person against  
429 whom the claim is made had a reasonable basis for believing occurred  
430 within the scope of commission employment, duties or responsibilities;  
431 provided, that nothing herein shall be construed to prohibit that  
432 person from retaining counsel; and provided further, that the actual or  
433 alleged act, error or omission did not result from that person's  
434 intentional or wilful and wanton misconduct.

435 c. The commission shall indemnify and hold harmless any member,  
436 officer, executive director, employee or representative of the  
437 commission for the amount of any settlement or judgment obtained

438 against that person arising out of any actual or alleged act, error or  
439 omission that occurred within the scope of commission employment,  
440 duties or responsibilities, or that such person had a reasonable basis  
441 for believing occurred within the scope of commission employment,  
442 duties or responsibilities, provided, that the actual or alleged act, error  
443 or omission did not result from the intentional or wilful and wanton  
444 misconduct of that person.

445 ARTICLE VI

446 MEETINGS AND ACTS OF THE COMMISSION

447 1. The commission shall meet and take such actions as are consistent  
448 with the provisions of this compact and the bylaws.

449 2. Each member of the commission shall have the right and power  
450 to cast a vote to which that compacting state is entitled and to  
451 participate in the business and affairs of the commission. A member  
452 shall vote in person or by such other means as provided in the bylaws.  
453 The bylaws may provide for members' participation in meetings by  
454 telephone or other means of communication.

455 3. The commission shall meet at least once during each calendar  
456 year. Additional meetings shall be held as set forth in the bylaws.

457 ARTICLE VII

458 RULES AND OPERATING PROCEDURES: RULEMAKING  
459 FUNCTIONS OF THE COMMISSION AND OPTING OUT OF  
460 UNIFORM STANDARDS

461 1. The commission shall promulgate reasonable rules, including  
462 uniform standards, and operating procedures in order to effectively  
463 and efficiently achieve the purposes of this compact. Notwithstanding  
464 the foregoing, in the event the commission exercises its rulemaking  
465 authority in a manner that is beyond the scope of the purposes of this  
466 compact, or the powers granted hereunder, then such an action by the  
467 commission shall be invalid and have no force and effect.



468       2. Rules and operating procedures shall be made pursuant to a  
469 rulemaking process that conforms to the Model State Administrative  
470 Procedure Act of 1981 as amended, as may be appropriate to the  
471 operations of the commission. Before the commission adopts a uniform  
472 standard, the commission shall give written notice to the relevant state  
473 legislative committees in each compacting state responsible for  
474 insurance issues of its intention to adopt the uniform standard. The  
475 commission in adopting a uniform standard shall consider fully all  
476 submitted materials and issue a concise explanation of its decision.

477       3. A uniform standard shall become effective ninety days after its  
478 promulgation by the commission or such later date as the commission  
479 may determine; provided, however, that a compacting state may opt  
480 out of a uniform standard as provided in this article. "Opt out" shall be  
481 defined as any action by a compacting state to decline to adopt or  
482 participate in a promulgated uniform standard. All other rules and  
483 operating procedures, and amendments thereto, shall become effective  
484 as of the date specified in each rule, operating procedure or  
485 amendment.

486       4. A compacting state may opt out of a uniform standard, either by  
487 legislation or regulation duly promulgated by the Insurance  
488 Department under the compacting state's administrative procedure  
489 act. If a compacting state elects to opt out of a uniform standard by  
490 regulation, it must:

491       a. Give written notice to the commission no later than ten business  
492 days after the uniform standard is promulgated, or at the time the state  
493 becomes a compacting state; and

494       b. Find that the uniform standard does not provide reasonable  
495 protections to the citizens of the state, given the conditions in the state.  
496 The commissioner shall make specific findings of fact and conclusions  
497 of law, based on a preponderance of the evidence, detailing the  
498 conditions in the state which warrant a departure from the uniform  
499 standard and determining that the uniform standard would not

500 reasonably protect the citizens of the state. The commissioner must  
501 consider and balance the following factors and find that the conditions  
502 in the state and needs of the citizens of the state outweigh: (i) The  
503 intent of the legislature to participate in, and the benefits of, an  
504 interstate agreement to establish national uniform consumer  
505 protections for the products subject to this compact; and (ii) the  
506 presumption that a uniform standard adopted by the commission  
507 provides reasonable protections to consumers of the relevant product.  
508 Notwithstanding the foregoing, a compacting state may, at the time of  
509 its enactment of this compact, prospectively opt out of all uniform  
510 standards involving long-term care insurance products by expressly  
511 providing for such opt out in the enacted compact, and such an opt out  
512 shall not be treated as a material variance in the offer or acceptance of  
513 any state to participate in this compact. Such an opt out shall be  
514 effective at the time of enactment of this compact by the compacting  
515 state and shall apply to all existing uniform standards involving long-  
516 term care insurance products and those subsequently promulgated.

517       5. If a compacting state elects to opt out of a uniform standard, the  
518 uniform standard shall remain applicable in the compacting state  
519 electing to opt out until such time the opt out legislation is enacted into  
520 law or the regulation opting out becomes effective. Once the opt out of  
521 a uniform standard by a compacting state becomes effective as  
522 provided under the laws of that state, the uniform standard shall have  
523 no further force and effect in that state unless and until the legislation  
524 or regulation implementing the opt out is repealed or otherwise  
525 becomes ineffective under the laws of the state. If a compacting state  
526 opts out of a uniform standard after the uniform standard has been  
527 made effective in that state, the opt out shall have the same prospective  
528 effect as provided under Article XIV of this compact for withdrawals.

529       6. If a compacting state has formally initiated the process of opting  
530 out of a uniform standard by regulation, and while the regulatory opt  
531 out is pending, the compacting state may petition the commission, at  
532 least fifteen days before the effective date of the uniform standard, to  
533 stay the effectiveness of the uniform standard in that state. The

534 commission may grant a stay if it determines the regulatory opt out is  
535 being pursued in a reasonable manner and there is a likelihood of  
536 success. If a stay is granted or extended by the commission, the stay or  
537 extension thereof may postpone the effective date by up to ninety  
538 days, unless affirmatively extended by the commission; provided, a  
539 stay may not be permitted to remain in effect for more than one year  
540 unless the compacting state can show extraordinary circumstances  
541 which warrant a continuance of the stay, including, but not limited to,  
542 the existence of a legal challenge which prevents the compacting state  
543 from opting out. A stay may be terminated by the commission upon  
544 notice that the rulemaking process has been terminated.

545 7. Not later than thirty days after a rule or operating procedure is  
546 promulgated, any person may file a petition for judicial review of the  
547 rule or operating procedure; provided, that the filing of such a petition  
548 shall not stay or otherwise prevent the rule or operating procedure  
549 from becoming effective unless the court finds that the petitioner has a  
550 substantial likelihood of success. The court shall give deference to the  
551 actions of the commission consistent with applicable law and shall not  
552 find the rule or operating procedure to be unlawful if the rule or  
553 operating procedure represents a reasonable exercise of the  
554 commission's authority.

555 ARTICLE VIII

556 COMMISSION RECORDS AND ENFORCEMENT

557 1. The commission shall promulgate rules establishing conditions  
558 and procedures for public inspection and copying of its information  
559 and official records, except such information and records involving the  
560 privacy of individuals and insurers' trade secrets. The commission may  
561 promulgate additional rules under which it may make available to  
562 federal and state agencies, including law enforcement agencies,  
563 records and information otherwise exempt from disclosure, and may  
564 enter into agreements with such agencies to receive or exchange  
565 information or records subject to nondisclosure and confidentiality

566 provisions.

567       2. Except as to privileged records, data and information, the laws of  
568 any compacting state pertaining to confidentiality or nondisclosure  
569 shall not relieve any compacting state commissioner of the duty to  
570 disclose any relevant records, data or information to the commission;  
571 provided, that disclosure to the commission shall not be deemed to  
572 waive or otherwise affect any confidentiality requirement; and further  
573 provided, that, except as otherwise expressly provided in this compact,  
574 the commission shall not be subject to the compacting state's laws  
575 pertaining to confidentiality and nondisclosure with respect to records,  
576 data and information in its possession. Confidential information of the  
577 commission shall remain confidential after such information is  
578 provided to any commissioner.

579       3. The commission shall monitor compacting states for compliance  
580 with duly adopted bylaws, rules, including uniform standards, and  
581 operating procedures. The commission shall notify any non-complying  
582 compacting state in writing of its noncompliance with commission  
583 bylaws, rules or operating procedures. If a non-complying compacting  
584 state fails to remedy its noncompliance within the time specified in the  
585 notice of noncompliance, the compacting state shall be deemed to be in  
586 default as set forth in Article XIV of this compact.

587       4. The commissioner of any state in which an insurer is authorized  
588 to do business, or is conducting the business of insurance, shall  
589 continue to exercise the commissioner's authority to oversee the  
590 market regulation of the activities of the insurer in accordance with the  
591 provisions of the state's law. The commissioner's enforcement of  
592 compliance with the compact is governed by the following provisions:

593       a. With respect to the commissioner's market regulation of a product  
594 or advertisement that is approved or certified to the commission, the  
595 content of the product or advertisement shall not constitute a violation  
596 of the provisions, standards or requirements of the compact except  
597 upon a final order of the commission, issued at the request of a

598 commissioner after prior notice to the insurer and an opportunity for  
599 hearing before the commission.

600 b. Before a commissioner may bring an action for violation of any  
601 provision, standard or requirement of the compact relating to the  
602 content of an advertisement not approved or certified to the  
603 commission, the commission, or an authorized commission officer or  
604 employee, must authorize the action. However, authorization  
605 pursuant to this paragraph does not require notice to the insurer,  
606 opportunity for hearing or disclosure of requests for authorization or  
607 records of the commission's action on such requests.

## 608 ARTICLE IX

### 609 DISPUTE RESOLUTION

610 The commission shall attempt, upon the request of a member, to  
611 resolve any disputes or other issues that are subject to this compact  
612 and which may arise between two or more compacting states, or  
613 between compacting states and non-compacting states, and the  
614 commission shall promulgate an operating procedure providing for  
615 resolution of such disputes.

## 616 ARTICLE X

### 617 PRODUCT FILING AND APPROVAL

618 1. Insurers and third-party filers seeking to have a product  
619 approved by the commission shall file the product with, and pay  
620 applicable filing fees to, the commission. Nothing in this compact shall  
621 be construed to restrict or otherwise prevent an insurer from filing its  
622 product with the insurance department in any state wherein the  
623 insurer is licensed to conduct the business of insurance, and such filing  
624 shall be subject to the laws of the states where filed.

625 2. The commission shall establish appropriate filing and review  
626 processes and procedures pursuant to commission rules and operating  
627 procedures. Notwithstanding any provision herein to the contrary, the

628 commission shall promulgate rules to establish conditions and  
629 procedures under which the commission will provide public access to  
630 product filing information. In establishing such rules, the commission  
631 shall consider the interests of the public in having access to such  
632 information, as well as protection of personal medical and financial  
633 information and trade secrets, that may be contained in a product  
634 filing or supporting information.

635 3. Any product approved by the commission may be sold or  
636 otherwise issued in those compacting states for which the insurer is  
637 legally authorized to do business.

## 638 ARTICLE XI

### 639 REVIEW OF COMMISSION DECISIONS REGARDING FILINGS

640 1. Not later than thirty days after the commission has given notice of  
641 a disapproved product or advertisement filed with the commission,  
642 the insurer or third-party filer whose filing was disapproved may  
643 appeal the determination to a review panel appointed by the  
644 commission. The commission shall promulgate rules to establish  
645 procedures for appointing such review panels and provide for notice  
646 and hearing. An allegation that the commission, in disapproving a  
647 product or advertisement filed with the commission, acted arbitrarily,  
648 capriciously, or in a manner that is an abuse of discretion or otherwise  
649 not in accordance with the law, is subject to judicial review in  
650 accordance with Article III, section 4 of this compact.

651 2. The commission shall have authority to monitor, review and  
652 reconsider products and advertisement subsequent to their filing or  
653 approval upon a finding that the product does not meet the relevant  
654 uniform standard. Where appropriate, the commission may withdraw  
655 or modify its approval after proper notice and hearing, subject to the  
656 appeal process in section 1 of this article.

## 657 ARTICLE XII

658

FINANCE

659       1. The commission shall pay or provide for the payment of the  
660 reasonable expenses of its establishment and organization. To fund the  
661 cost of its initial operations, the commission may accept contributions  
662 and other forms of funding from the National Association of Insurance  
663 Commissioners, compacting states and other sources. Contributions  
664 and other forms of funding from other sources shall be of such a  
665 nature that the independence of the commission concerning the  
666 performance of its duties shall not be compromised.

667       2. The commission shall collect a filing fee from each insurer and  
668 third-party filer filing a product with the commission to cover the cost  
669 of the operations and activities of the commission and its staff in a total  
670 amount sufficient to cover the commission's annual budget.

671       3. The commission's budget for a fiscal year shall not be approved  
672 until it has been subject to notice and comment as set forth in Article  
673 VII of this compact.

674       4. The commission shall be exempt from all taxation in and by the  
675 compacting states.

676       5. The commission shall not pledge the credit of any compacting  
677 state, except by and with the appropriate legal authority of that  
678 compacting state.

679       6. The commission shall keep complete and accurate accounts of all  
680 its internal receipts, including grants and donations, and  
681 disbursements of all funds under its control. The internal financial  
682 accounts of the commission shall be subject to the accounting  
683 procedures established under its bylaws. The financial accounts and  
684 reports including the system of internal controls and procedures of the  
685 commission shall be audited annually by an independent certified  
686 public accountant. Upon the determination of the commission, but no  
687 less frequently than every three years, the review of the independent  
688 auditor shall include a management and performance audit of the

689 commission. The commission shall make an annual report to the  
690 governor and legislature of the compacting states, which shall include  
691 a report of the independent audit. The commission's internal accounts  
692 shall not be confidential and such materials may be shared with the  
693 commissioner of any compacting state upon request provided,  
694 however, that any work papers related to any internal or independent  
695 audit and any information regarding the privacy of individuals and  
696 insurers' proprietary information, including trade secrets, shall remain  
697 confidential.

698 7. No compacting state shall have any claim to or ownership of any  
699 property held by or vested in the commission or to any commission  
700 funds held pursuant to the provisions of this compact.

701 ARTICLE XIII

702 COMPACTING STATES, EFFECTIVE DATE AND AMENDMENT

703 1. Any state is eligible to become a compacting state.

704 2. The compact shall become effective and binding upon legislative  
705 enactment of the compact into law by two compacting states;  
706 provided, the commission shall become effective for purposes of  
707 adopting uniform standards for, reviewing, and giving approval or  
708 disapproval of, products filed with the commission that satisfy  
709 applicable uniform standards only after twenty-six states are  
710 compacting states or, alternatively, by states representing greater than  
711 forty per cent of the premium volume for life insurance, annuity,  
712 disability income and long-term care insurance products, based on  
713 records of the National Association of Insurance Commissioners for  
714 the prior year. Thereafter, it shall become effective and binding as to  
715 any other compacting state upon enactment of the compact into law by  
716 that state.

717 3. Amendments to the compact may be proposed by the commission  
718 for enactment by the compacting states. No amendment shall become  
719 effective and binding upon the commission and the compacting states



720 unless and until all compacting states enact the amendment into law.

721 ARTICLE XIV

722 WITHDRAWAL, DEFAULT AND TERMINATION

723 Section 1. Withdrawal

724 a. Once effective, the compact shall continue in force and remain  
725 binding upon each and every compacting state; provided, that a  
726 compacting state may withdraw from the compact ("withdrawing  
727 state") by enacting a statute specifically repealing the statute which  
728 enacted the compact into law.

729 b. The effective date of withdrawal is the effective date of the  
730 repealing statute. However, the withdrawal shall not apply to any  
731 product filings approved or self-certified, or any advertisement of such  
732 products, on the date the repealing statute becomes effective, except by  
733 mutual agreement of the commission and the withdrawing state unless  
734 the approval is rescinded by the withdrawing state as provided in  
735 paragraph e. of this section.

736 c. The commissioner of the withdrawing state shall immediately  
737 notify the management committee in writing upon the introduction of  
738 legislation repealing this compact in the withdrawing state.

739 d. The commission shall notify the other compacting states of the  
740 introduction of such legislation within ten days after its receipt of  
741 notice thereof.

742 e. The withdrawing state is responsible for all obligations, duties  
743 and liabilities incurred through the effective date of withdrawal,  
744 including any obligations, the performance of which extend beyond  
745 the effective date of withdrawal, except to the extent those obligations  
746 may have been released or relinquished by mutual agreement of the  
747 commission and the withdrawing state. The commission's approval of  
748 products and advertisement prior to the effective date of withdrawal  
749 shall continue to be effective and be given full force and effect in the

750 withdrawing state, unless formally rescinded by the withdrawing state  
751 in the same manner as provided by the laws of the withdrawing state  
752 for the prospective disapproval of products or advertisement  
753 previously approved under state law.

754 f. Reinstatement following withdrawal of any compacting state shall  
755 occur upon the effective date of the withdrawing state reenacting the  
756 compact.

757 Section 2. Default

758 a. If the commission determines that any compacting state has at  
759 any time defaulted ("defaulting state") in the performance of any of its  
760 obligations or responsibilities under this compact, the bylaws or duly  
761 promulgated rules or operating procedures, then, after notice and  
762 hearing as set forth in the bylaws, all rights, privileges and benefits  
763 conferred by this compact on the defaulting state shall be suspended  
764 from the effective date of default as fixed by the commission. The  
765 grounds for default include, but are not limited to, failure of a  
766 compacting state to perform its obligations or responsibilities, and any  
767 other grounds designated in commission rules. The commission shall  
768 immediately notify the defaulting state in writing of the defaulting  
769 state's suspension pending a cure of the default. The commission shall  
770 stipulate the conditions and the time period within which the  
771 defaulting state must cure its default. If the defaulting state fails to  
772 cure the default within the time period specified by the commission,  
773 the defaulting state shall be terminated from the compact and all  
774 rights, privileges and benefits conferred by this compact shall be  
775 terminated from the effective date of termination.

776 b. Product approvals by the commission or product self-  
777 certifications, or any advertisement in connection with such product,  
778 that are in force on the effective date of termination shall remain in  
779 force in the defaulting state in the same manner as if the defaulting  
780 state had withdrawn voluntarily pursuant to section 1 of this article.

781 c. Reinstatement following termination of any compacting state

782 requires a reenactment of the compact.

783 Section 3. Dissolution of Compact

784 a. The compact dissolves effective upon the date of the withdrawal  
785 or default of the compacting state which reduces membership in the  
786 compact to one compacting state.

787 b. Upon the dissolution of this compact, the compact becomes null  
788 and void and shall be of no further force or effect, and the business and  
789 affairs of the commission shall be wound up and any surplus funds  
790 shall be distributed in accordance with the bylaws.

791 ARTICLE XV

792 SEVERABILITY AND CONSTRUCTION

793 1. The provisions of this compact shall be severable; and if any  
794 phrase, clause, sentence or provision is deemed unenforceable, the  
795 remaining provisions of the compact shall be enforceable.

796 2. The provisions of this compact shall be liberally construed to  
797 effectuate its purposes.

798 ARTICLE XVI

799 BINDING EFFECT OF COMPACT AND OTHER LAWS

800 Section 1. Other Laws

801 a. Nothing herein prevents the enforcement of any other law of a  
802 compacting state, except as provided in paragraph b. of this section.

803 b. For any product approved or certified to the commission, the  
804 rules, uniform standards and any other requirements of the  
805 commission shall constitute the exclusive provisions applicable to the  
806 content, approval and certification of such products. For advertisement  
807 that is subject to the commission's authority, any rule, uniform  
808 standard or other requirement of the commission which governs the

809 content of the advertisement shall constitute the exclusive provision  
810 that a commissioner may apply to the content of the advertisement.  
811 Notwithstanding the foregoing, no action taken by the commission  
812 shall abrogate or restrict:

813 (i) The access of any person to state courts;

814 (ii) Remedies available under state law related to breach of contract,  
815 tort, or other laws not specifically directed to the content of the  
816 product;

817 (iii) State law relating to the construction of insurance contracts; or

818 (iv) The authority of the attorney general of the state, including, but  
819 not limited to, maintaining any actions or proceedings, as authorized  
820 by law.

821 c. All insurance products filed with individual states shall be subject  
822 to the laws of those states.

823 Section 2. Binding Effect of this Compact

824 a. All lawful actions of the commission, including all rules and  
825 operating procedures promulgated by the commission, are binding  
826 upon the compacting states.

827 b. All agreements between the commission and the compacting  
828 states are binding in accordance with their terms.

829 c. Upon the request of a party to a conflict over the meaning or  
830 interpretation of commission actions, and upon a majority vote of the  
831 compacting states, the commission may issue advisory opinions  
832 regarding the meaning or interpretation in dispute.

833 d. In the event any provision of this compact exceeds the  
834 constitutional limits imposed on the legislature of any compacting  
835 state, the obligations, duties, powers or jurisdiction sought to be  
836 conferred by that provision upon the commission shall be ineffective

837 as to that compacting state, and those obligations, duties, powers or  
838 jurisdiction shall remain in the compacting state and shall be exercised  
839 by the agency thereof to which those obligations, duties, powers or  
840 jurisdiction are delegated by law in effect at the time this compact  
841 becomes effective.

## 842 ARTICLE XVII

### 843 STATE OF CONNECTICUT OPT OUT

844 In accordance with the provisions of Article VII, section 4 of this  
845 compact, the state of Connecticut opts out of all existing and  
846 prospective uniform standards involving long-term care insurance  
847 products [and all existing uniform standards involving disability  
848 income insurance products] in order to preserve the state's statutory  
849 requirements governing these insurance products.

850 Sec. 3. Subdivision (1) of subsection (d) of section 38a-156a of the  
851 general statutes is repealed and the following is substituted in lieu  
852 thereof (*Effective from passage*):

853 (d) (1) Upon approval by the commissioner of the proposed plan of  
854 reorganization, the board of directors, the chairperson of the board of  
855 directors or the president of the reorganizing insurer shall call a  
856 members' meeting to present and hold a vote on the plan of  
857 reorganization. Such meeting shall be held not earlier than thirty days  
858 after the date of the public hearing held under subsection (c) of this  
859 section. The plan shall be approved by an affirmative vote of two-  
860 thirds of the members of the reorganizing insurer voting.

861 Sec. 4. Section 38a-323a of the general statutes is repealed and the  
862 following is substituted in lieu thereof (*Effective July 1, 2019*):

863 (a) Each insurer that issues, renews, amends or endorses an  
864 automobile or homeowners insurance policy in this state on or after  
865 [October 1, 2017] July 1, 2019, shall include with the policy a  
866 conspicuous statement specifying that any individual may designate a

867 third party to receive notice of cancellation or nonrenewal of the  
868 policy. The statement shall include a designation form, [and] a mailing  
869 address and an electronic mail address the individual may use to  
870 designate a third party. Such statement shall be in a form approved by  
871 the Insurance Commissioner.

872 (b) No designation form shall be effective unless it contains a  
873 written acceptance by the third party designee to receive copies of  
874 notices of cancellation or nonrenewal from the insurer on behalf of the  
875 individual. The third party designation shall be effective not later than  
876 ten business days after the date the insurer receives the designation  
877 form and the acceptance of the third party. The third party may  
878 terminate the status as a third party designee by providing written  
879 notice to both the insurer and the insured individual. The individual  
880 may terminate the third party designation by providing written notice  
881 to the insurer and the third party designee. The insurer may require  
882 the individual and the third party to send the notices to the insurer by  
883 certified mail, return receipt requested, or, if agreed between the  
884 insurer and the individual or the insurer and the third party, by  
885 electronic means.

886 (c) The insurer's transmission to the third party designee of a copy  
887 of any notice of cancellation or nonrenewal shall be in addition to the  
888 transmission of the original document to the insured individual. When  
889 a third party is so designated, all such notices and copies shall be  
890 mailed in an envelope clearly marked on its face with, or, if agreed  
891 between the insurer and the third party, delivered by electronic means  
892 stating, the following: "IMPORTANT INSURANCE POLICY  
893 INFORMATION: OPEN IMMEDIATELY". The copy of the notice of  
894 cancellation or nonrenewal transmitted to the third party shall be  
895 governed by the same law and policy provisions that govern the notice  
896 being transmitted to the insured individual. The designation of a third  
897 party shall not constitute acceptance of any liability on the part of the  
898 third party or insurer for services provided to the insured individual.

899 Sec. 5. Subsection (a) of section 38a-324 of the general statutes is

900 repealed and the following is substituted in lieu thereof (*Effective July*  
901 *1, 2019*):

902 (a) After a policy of commercial risk insurance, other than workers'  
903 compensation insurance and automobile insurance issued under a  
904 residual market mechanism as described in section 38a-329, has been  
905 in effect for more than sixty days, or after the effective date of a  
906 renewal policy, no insurer may cancel any policy unless the  
907 cancellation is based on the occurrence, after the effective date of the  
908 policy or renewal, of one or more of the following conditions: (1)  
909 Nonpayment of premium; (2) conviction of a crime arising out of acts  
910 increasing the hazard insured against; (3) discovery of fraud or  
911 material misrepresentation by the insured in obtaining the policy or in  
912 perfecting any claim thereunder; (4) discovery of any wilful or reckless  
913 act or omission by the insured increasing the hazard insured against;  
914 (5) physical changes in the property which increase the hazard insured  
915 against; (6) a determination by the commissioner that continuation of  
916 the policy would violate or place the insurer in violation of the law; (7)  
917 a material increase in the hazard insured against; or (8) a substantial  
918 loss of reinsurance by the insurer affecting this particular line of  
919 insurance. If the basis for cancellation is nonpayment of premium, at  
920 least ten days' advance notice shall be given and the insured may  
921 continue the coverage and avoid the effect of the cancellation by  
922 payment in full at any time prior to the effective date of cancellation. If  
923 the basis for cancellation is conviction of a crime arising out of acts  
924 increasing the hazard insured against, discovery of fraud or material  
925 misrepresentation by the insured in obtaining the policy or in  
926 perfecting any claim thereunder, discovery of any wilful or reckless act  
927 or omission by the insured increasing the hazard insured against or a  
928 determination by the commissioner that continuation of the policy  
929 would violate or place the insurer in violation of the law, at least ten  
930 days' advance notice shall be given. In all other cases, at least sixty  
931 days' advance notice shall be given. Notwithstanding the provisions of  
932 this section, the advance notice period for cancellation of any  
933 professional liability policy, as defined in section 38a-393, shall be at

934 least ninety days. No notice of cancellation shall be required if such  
 935 policy is transferred from an insurer to an affiliate of such insurer for  
 936 another policy with no interruption of coverage and contains the same  
 937 terms, conditions and provisions, including policy limits, as the  
 938 transferred policy, except that the insurer to which the policy is  
 939 transferred shall not be prohibited from applying its rates and rating  
 940 plans at the time of renewal. No notice of cancellation shall be effective  
 941 unless it is sent, by registered or certified mail, [or by] mail evidenced  
 942 by a United States Post Office certificate of mailing or, if agreed  
 943 between the insurer and the named insured, by electronic means  
 944 evidenced by a delivery receipt, or delivered by the insurer to the  
 945 named insured by the required date.

946 Sec. 6. Subsection (a) of section 38a-724 of the general statutes is  
 947 repealed and the following is substituted in lieu thereof (*Effective July*  
 948 *1, 2019*):

949 (a) The use of an employment contract between a public adjuster  
 950 and the insured shall be mandatory.

951 (1) Any such contract signed on or after [October 1, 2013] July 1,  
 952 2019, shall contain a provision, prominently displayed on the first page  
 953 of such contract in not less than twelve-point boldface type, specifying  
 954 that the insured may cancel the contract, provided such insured  
 955 notifies the public adjuster at such public adjuster's main office or  
 956 branch office at the address shown in the contract, by certified mail,  
 957 return receipt requested, or, if agreed between the insured and the  
 958 public adjuster, by electronic means with proof of a delivery receipt,  
 959 posted or delivered not later than midnight of the fourth calendar day  
 960 after the day on which the insured signs the contract, except that if the  
 961 signing is on a Friday, Saturday or Sunday, the cancellation shall be  
 962 posted not later than midnight of the Thursday immediately following,  
 963 and thereafter the contract shall be void ab initio.

964 (2) Any such contract signed on or after [October 1, 2013] July 1,  
 965 2019, that does not display the provision as specified in subdivision (1)



966 of this subsection shall be void ab initio.

967 Sec. 7. Subsection (a) of section 38a-771 of the general statutes is  
 968 repealed and the following is substituted in lieu thereof (*Effective*  
 969 *October 1, 2019*):

970 (a) Any person, firm, partnership, association or corporation  
 971 holding a license issued pursuant to sections 38a-702b, 38a-702j, 38a-  
 972 703 to 38a-716, inclusive, 38a-731 to 38a-735, inclusive, 38a-769 to 38a-  
 973 776, inclusive, 38a-786, 38a-790, 38a-792 and 38a-794 or holding a  
 974 license in the name of a trade name shall notify the Insurance  
 975 Commissioner, in writing, not later than thirty days after any: (1)  
 976 Change in business [or] address, residence address or electronic mail  
 977 address; (2) change in employer; (3) change in name; or (4) change in  
 978 licensed [members of a firm, partnership, association or officers of a  
 979 corporation] insurance producer responsible for ensuring compliance  
 980 by such person, firm, partnership, association or corporation with the  
 981 insurance laws, rules and regulations of this state, as stated in the  
 982 application for license filed in this state by such person, firm,  
 983 partnership, association or corporation.

984 Sec. 8. Section 38a-193 of the general statutes is repealed and the  
 985 following is substituted in lieu thereof (*Effective from passage*):

986 (a) (1) Before issuing any certificate of authority to any health care  
 987 center on or after July 1, 1990, the commissioner shall require that a  
 988 health care center have: (A) An initial net worth of one million five  
 989 hundred thousand dollars, and (B) agree to thereafter maintain the  
 990 minimum net worth required under subdivision (4) of this subsection.

991 (2) No health care center shall be licensed to transact business in this  
 992 state or remain so licensed unless, (A) its net worth bears a reasonable  
 993 relationship to its liabilities based upon the type, volume and nature of  
 994 business transacted, and (B) its risk-based capital related to its total  
 995 adjusted capital is adequate for the type of business transacted. As  
 996 used in this subsection, "total adjusted capital" means the sum of a  
 997 health care center's net worth and any other item in the nature of

1998 capital as deemed appropriate by the commissioner; and "risk-based  
1999 capital" means the net worth of the health care center adjusted to  
1000 recognize the level of risk inherent in its business, including (i) risk  
1001 with respect to the health care center's assets, (ii) the risk of adverse  
1002 underwriting experience with respect to the health care center's  
1003 liabilities and obligations, (iii) the credit risk with respect to the health  
1004 care center's business, and (iv) all other business risks and such other  
1005 relevant risks as the commissioner may determine.

1006 (3) (A) In determining net worth, no debt shall be considered fully  
1007 subordinated unless the subordination clause is in a form acceptable to  
1008 the commissioner. Any interest obligation relating to the repayment of  
1009 any subordinated debt shall be similarly subordinated. (B) The interest  
1010 expenses relating to the repayment of any fully subordinated debt  
1011 shall not be considered uncovered expenditures. (C) Any debt incurred  
1012 by a note meeting the requirements of this section, and otherwise  
1013 acceptable to the commissioner, shall not be considered a liability and  
1014 shall be recorded as equity.

1015 (4) Except as provided in subdivision (3) and subdivisions (5) to (7),  
1016 inclusive, of this subsection, each health care center shall maintain a  
1017 minimum net worth equal to the greater of: (A) One million dollars; or  
1018 (B) two per cent of its annual premium revenues as reported on the  
1019 most recent annual financial statement filed with the commissioner on  
1020 the first one hundred fifty million dollars of premium revenues plus  
1021 one per cent of annual premium revenues in excess of one hundred  
1022 fifty million dollars. No health care center authorized by the  
1023 commissioner to do business in this state, on July 1, 1990, shall be  
1024 required to comply with the provisions of subparagraph (B) of this  
1025 subdivision until January 1, 1995.

1026 (5) Each health care center that offers or proposes to offer out-of-  
1027 network benefits shall either:

1028 (A) Enter into an agreement with a duly licensed insurance  
1029 company to provide coverage to subscribers and enrollees outside of

1030 the health care center's established network, subject to approval by the  
1031 commissioner; or

1032 (B) Implement an out-of-network benefit system to be operated by  
1033 the health care center, subject to approval by the commissioner,  
1034 provided the health care center establishes and maintains its net worth  
1035 at an amount equal to the greater of (i) three million dollars, (ii) two  
1036 per cent of its annual premium revenues as reported on the most  
1037 recent annual financial statement filed with the commissioner on the  
1038 first one hundred fifty million dollars of premium revenues plus one  
1039 per cent of annual premium revenues in excess of one hundred fifty  
1040 million dollars, or (iii) two months of its cost of uncovered  
1041 expenditures. For purposes of this subsection, "annual premium  
1042 revenues" does not include revenue earned as a result of an  
1043 arrangement between a health care center and the federal Centers for  
1044 Medicare and Medicaid Services, on a cost or risk basis, for services to  
1045 a Medicare beneficiary, or revenue earned as a result of an  
1046 arrangement between a health care center and a Medicaid state agency,  
1047 for services to a Medicaid beneficiary. For the purposes of this  
1048 subsection, the uncovered expenditures of the health care center for  
1049 the requisite two-month period shall be calculated as follows:

$$\begin{array}{l} \text{T1} \qquad \qquad \qquad (X + Y - Z) \\ \text{T2} \qquad \qquad \qquad \text{UE} = \frac{\qquad \qquad \qquad}{\qquad \qquad \qquad} \\ \text{T3} \qquad \qquad \qquad \qquad \qquad \qquad \qquad 6 \end{array}$$

1050 Where:

1051 UE = Uncovered expenditures of the health care center for the  
1052 requisite two-month period.

1053 X = Total year-to-date uncovered expenditures reported in the  
1054 health care center's most recent statutory quarterly or annual  
1055 statement.

1056 Y = Total year-to-date uncovered expenditures reported in the

1057 health care center's annual statement for the prior calendar year.

1058 Z = Total year-to-date uncovered expenditures reported in the  
1059 health care center's statutory quarterly or annual statement for the  
1060 current calendar quarter of the prior calendar year.

1061 (6) The total cost of the out-of-network benefits of a health care  
1062 center shall not exceed ten per cent of the total cost of the health care  
1063 center's claims and expenses on a quarterly basis without the prior  
1064 approval of the commissioner. [and the effectuation of an uncovered  
1065 expenditures insolvency deposit established with the commissioner  
1066 pursuant to section 38a-193a.]

1067 (7) Any health care center that provides out-of-network benefits  
1068 pursuant to this subsection shall provide a quarterly report concurrent  
1069 with filing of the required quarterly and annual financial statements  
1070 which shall demonstrate compliance with the provisions of this  
1071 subsection.

1072 (8) The commissioner may adopt regulations, in accordance with  
1073 chapter 54, to implement the purposes of this subsection, including,  
1074 but not limited to, provisions concerning: (A) The preparation and  
1075 filing of reports by health care centers relating to risk-based capital  
1076 levels and the calculation thereof; (B) the preparation and filing of  
1077 comprehensive financial plans when such capital levels are reduced  
1078 below minimum threshold levels; (C) the confidentiality of such  
1079 reports and plans; and (D) the regulatory corrective actions the  
1080 commissioner may take in the event minimum risk-based capital levels  
1081 are not maintained, or the health care center's financial plans filed with  
1082 the commissioner are deficient, or the health care center fails to  
1083 otherwise comply with the provisions of the regulations.

1084 (b) Every health care center shall, when determining liabilities,  
1085 include an amount estimated in the aggregate to provide for any  
1086 unearned premium and for the payment of all claims for health care  
1087 expenditures which have been incurred, whether reported or  
1088 unreported, which are unpaid and for which such organization is or

1089 may be liable, and to provide for the expense of adjustment or  
1090 settlement of such claims. Such liabilities shall be calculated in  
1091 accordance with those accounting procedures and practices prescribed  
1092 by the National Association of Insurance Commissioners Accounting  
1093 Practices and Procedures Manual, version effective January 1, 2001,  
1094 and subsequent revisions and the National Association of Insurance  
1095 Commissioners Annual Statement Instructions, subject to any  
1096 deviations prescribed by the commissioner.

1097 (c) (1) Every contract between a health care center and a  
1098 participating provider of health care services shall be in writing and  
1099 shall contain the following provisions or variations approved by the  
1100 commissioner:

1101 "(A) (Name of provider or facility) .... hereby agrees that in no event,  
1102 including, but not limited to, nonpayment by (name of health care  
1103 center) ...., (name of health care center's) .... insolvency, or breach of  
1104 this contract shall (name of provider or facility) .... bill, charge, collect a  
1105 deposit from, seek compensation, remuneration, or reimbursement  
1106 from, or have any recourse against a covered person or person acting  
1107 on their behalf, other than (name of health care center) ...., for services  
1108 provided pursuant to this contract. This provision shall not prohibit  
1109 collection of cost-sharing amounts, or costs for noncovered services,  
1110 which have not otherwise been paid by a primary or secondary carrier  
1111 in accordance with regulatory standards for coordination of benefits,  
1112 from covered persons in accordance with the terms of the covered  
1113 person's health plan.

1114 (B) (Name of provider or facility).... agrees, in the event of (name of  
1115 health care center's) .... insolvency, to continue to provide the services  
1116 promised in this contract to covered persons of (name of health care  
1117 center) .... for the duration of the period for which premiums on behalf  
1118 of the covered person were paid to (name of health care center) .... or  
1119 until the covered person's discharge from inpatient facilities,  
1120 whichever time is greater.

1121 (C) Notwithstanding any other provision in this contract, nothing in  
1122 this contract shall be construed to modify the rights and benefits  
1123 contained in the covered person's health plan.

1124 (D) (Name of provider or facility).... may not bill the covered person  
1125 for covered services, except for cost-sharing amounts, where (name of  
1126 health care center) .... denies payment because the provider or facility  
1127 has failed to comply with the terms or conditions of this contract.

1128 (E) (Name of provider or facility) .... further agrees (i) that the  
1129 provisions of subparagraphs (A), (B), (C) and (D) of this subdivision  
1130 (or citations appropriate to the contract form) .... shall survive  
1131 termination of this contract regardless of the cause giving rise to  
1132 termination and shall be construed to be for the benefit of (name of  
1133 health care center's) .... covered persons, and (ii) that this provision  
1134 supersedes any oral or written contrary agreement now existing or  
1135 hereafter entered into between (name of provider or facility) .... and  
1136 covered persons or persons acting on their behalf.

1137 (F) If (name of provider or facility) .... contracts with other providers  
1138 or facilities who agree to provide covered services to covered persons  
1139 of (name of health care center) .... with the expectation of receiving  
1140 payment directly or indirectly from (name of health care center) ....,  
1141 such providers or facilities shall agree to abide by the provisions of  
1142 subparagraphs (A), (B), (C), (D) and (E) of this subsection (or citations  
1143 appropriate to the contract form) ....."

1144 (2) In the event that the participating provider contract has not been  
1145 reduced to writing as required by this subsection or that the contract  
1146 fails to contain the provisions required by subdivision (1) of this  
1147 subsection, the participating provider shall not collect or attempt to  
1148 collect from the subscriber or enrollee sums owed by the health care  
1149 center.

1150 (3) No participating provider, or agent, trustee or assignee thereof,  
1151 may: (A) Maintain any action at law against a subscriber or enrollee to  
1152 collect sums owed by the health care center; (B) request payment from

1153 a subscriber or enrollee for such sums; (C) request payment from a  
 1154 subscriber or enrollee for covered emergency services that are  
 1155 provided by an out-of-network provider; or (D) request payment from  
 1156 a subscriber or enrollee for a surprise bill, as defined in section 38a-  
 1157 477aa. For purposes of this subdivision "request payment" includes,  
 1158 but is not limited to, submitting a bill for services not actually owed or  
 1159 submitting for such services an invoice or other communication  
 1160 detailing the cost of the services that is not clearly marked with the  
 1161 phrase "THIS IS NOT A BILL". The contract between a health care  
 1162 center and a participating provider shall inform the participating  
 1163 provider that pursuant to section 20-7f, it is an unfair trade practice in  
 1164 violation of chapter 735a for any health care provider to request  
 1165 payment from a subscriber or an enrollee, other than a coinsurance,  
 1166 copayment, deductible or other out-of-pocket expense, for covered  
 1167 medical or emergency services or facility fees, as defined in section  
 1168 19a-508c, or surprise bills, or to report to a credit reporting agency an  
 1169 enrollee's failure to pay a bill for such services when a health care  
 1170 center has primary responsibility for payment of such services, fees or  
 1171 bills.

1172 [(d) The commissioner shall require that each health care center  
 1173 have a plan for handling insolvency which allows for continuation of  
 1174 benefits for the duration of the contract period for which premiums  
 1175 have been paid and continuation of benefits to members who are  
 1176 confined to inpatient facilities on the date of insolvency until their  
 1177 discharge or expiration of benefits. In considering such a plan, the  
 1178 commissioner may approve one or more of the following: (1) Insurance  
 1179 to cover the expenses to be paid for continued benefits after an  
 1180 insolvency; (2) provisions in provider contracts that obligate the  
 1181 provider to provide services after the health care center's insolvency  
 1182 for the duration of the period for which premium payment has been  
 1183 made and until the enrollees' discharge from inpatient facilities; (3)  
 1184 insolvency reserves; (4) acceptable letters of credit; or (5) any other  
 1185 arrangements to assure that benefits are continued as specified above.]

1186 [(e)] (d) Every agreement to provide health care services between a

1187 provider and a health care center shall require the provider to provide  
1188 at least sixty days' advance notice to the health care center to terminate  
1189 the agreement.

1190 [(f) (1) Unless otherwise provided in this subsection, each health  
1191 care center shall deposit with the commissioner or, at the discretion of  
1192 the commissioner, with any organization or trustee acceptable to the  
1193 commissioner through which a custodian or controlled account is  
1194 utilized, cash, securities or any combination of cash or securities or  
1195 other measures that are acceptable to the commissioner, which at all  
1196 times shall have a value of not less than five hundred thousand  
1197 dollars.

1198 (2) A health care center that is in operation on October 1, 2007, shall  
1199 make a deposit equal to two hundred fifty thousand dollars. In the  
1200 second year, the amount of the additional deposit for a health care  
1201 center that is in operation on October 1, 2007, shall be equal to two  
1202 hundred fifty thousand dollars, for a total of five hundred thousand  
1203 dollars.

1204 (3) The deposit shall be an admitted asset of the health care center in  
1205 the determination of net worth.

1206 (4) All income from deposits shall be an asset of the organization. A  
1207 health care center that has made a securities deposit may withdraw  
1208 such deposit or any part thereof after making a substitute deposit of  
1209 cash, securities or any combination of cash or securities or other  
1210 measures of equal amount and value. Any securities shall be approved  
1211 by the commissioner before being deposited.

1212 (5) The deposit shall be used to protect the interests of the health  
1213 care center's enrollees and to assure continuation of health care  
1214 services to enrollees of a health care center that is in rehabilitation or  
1215 conservation. The commissioner may use the deposit for  
1216 administrative costs directly attributable to a receivership or  
1217 liquidation. If the health care center is placed in rehabilitation or  
1218 liquidation, the deposit shall be an asset subject to the provisions of the



1219 Insurers Rehabilitation and Liquidation Act.]

1220 Sec. 9. (*Effective from passage*) Sections 12, 14, 15 and 16 of public act  
1221 18-158 shall take effect July 1, 2019.

1222 Sec. 10. Section 38a-193a of the general statutes is repealed. (*Effective*  
1223 *from passage*)

1224 Sec. 11. Sections 13 and 17 of public act 18-158 are repealed. (*Effective*  
1225 *from passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2019</i>	38a-8
Sec. 2	<i>from passage</i>	38a-37
Sec. 3	<i>from passage</i>	38a-156a(d)(1)
Sec. 4	<i>July 1, 2019</i>	38a-323a
Sec. 5	<i>July 1, 2019</i>	38a-324(a)
Sec. 6	<i>July 1, 2019</i>	38a-724(a)
Sec. 7	<i>October 1, 2019</i>	38a-771(a)
Sec. 8	<i>from passage</i>	38a-193
Sec. 9	<i>from passage</i>	New section
Sec. 10	<i>from passage</i>	Repealer section
Sec. 11	<i>from passage</i>	Repealer section

**Statement of Purpose:**

To (1) permit the Insurance Commissioner to obtain the services of certain third-party professionals, (2) eliminate an opt-out concerning disability income insurance products in the Interstate Insurance Product Regulation Compact, (3) modify a voting requirement concerning reorganizing insurers, (4) change the effective date of, and repeal, certain sections of Public Act 18-158, (5) provide that certain notices concerning licensees and commercial risk insurance policies may be made by electronic means, and (6) eliminate certain requirements concerning the insolvency of health care centers.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*